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MIDDLE EAST -- AFRICA -- SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Arab States

Moderates Forestalled a Tighter Boycott

Arab moderates apparently forestalled moves at the meeting of the boycott commission in Cairo last week toward tighter enforcement of the Arab boycott of Israel and firms dealing with Israel. The boycott, until quite recently, has not seriously impeded Western financial and commercial relations with Israel. The huge increases in Arab oil earnings have opened opportunities for the Arabs to strengthen the boycott. In the past few months, some Western firms, fearing loss of potentially lucrative contracts with the Arabs, have voluntarily cut ties with Israel or shied away from prospective dealings with Israel.

All this money does, however, create countervailing forces within the Arab ranks. Many Arab states are pursuing ambitious economic development plans and are playing a wide role in world financial markets; these states are reluctant to apply the rules of the boycott so strenuously as to affect their own well-being adversely. Egypt, for example, submitted a recommendation to the boycott meeting to allow American Motors, British Leyland and Coca Cola special exemptions, since all three firms planned major investments in Egypt. Cairo argued that the new investments would constitute a "net advantage" to the Arab side, which would far outweigh the relatively minor economic and political value of each company's association with Israel.

This "net advantage" principle was picked up by a senior Saudi official who commented that each member government should be allowed to determine which foreign businesses should be granted special status. The head of the boycott commission, a pronounced hardliner, did speak after the meeting of a "partial" boycott of Leyland, but did not mention US firms.

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Kuwait, which refused to co-manage a bond issue if banks in which Jews have interests were permitted to participate, sided with the moderates at the Cairo meeting. It introduced a resolution stating that "flexibility" should be shown in underwriting loans to make sure no doors were closed to Arab funds. The rule prohibiting Arab investment companies from dealing with boycotted banks apparently remains on the books. It reportedly will be interpreted, however, to permit both Arab and boycotted companies to continue underwriting the same bond issues. (SECRET/NO FOREIGN DISSEM)

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Africa

Franco-African Summit Proves Uneventful

The two-day Franco-African summit conference, held last week in the Central African Republic, produced no new policy statements on French-African relations. The rather bland final communique simply expressed "satisfaction" with the direction that French cooperation policy is taking under President Giscard d'Estaing and its new emphasis on distributing French aid to Africa through regional organizations.

The conference marked the French president's first trip to Africa since his election last year. He met with representatives of 14 African countries, including seven heads of government. Although most of the African participants were from former French colonies, a number of other countries were represented, including Zaire, Rwanda, Burundi, and Mauritius. Mauritius and Rwanda are members of the French-backed Afro-Malagasy and Mauritian Common Organization, a ten-member economic service association. Zaire was a member, but dropped out in 1972.

From the standpoint of the former French African colonies, the meeting's most important result, according to Senegalese President Senghor, was the decision to make the summit an annual event. Giscard's promise of regular summit-level consultations probably is viewed by Senghor and other francophone African leaders as a positive gesture of continued French interest in their countries. They can also take some comfort from a promise in the summit communique that Paris will continue to take into account the problems of the poorer francophone countries when formulating its aid programs. A pledge to this effect reportedly was sought by the summit host, CAR President Bokassa. The next summit meeting is scheduled to be held in Paris.

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The French won endorsement for Giscard's proposed tripartite energy conference and for the French position on international monetary reform. The French President also left little doubt about his desire to expand French influence beyond its traditional west African base. Shortly after the summit, he invited the former Portuguese African territories to attend the next Franco-African summit, and he announced that he is making plans for an official visit to Zaire. (CONFIDENTIAL)

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